

FOR IMMEDIATE RELEASE March 25, 2004

CONTACT: Colleen Kroll (202) 225-5235

THE 2005 BUDGET:

Pay as You Go is the Way to Go

Today, Congress is debating the Administration's 2005 budget resolution. I feel that this budget fails to reflect the true needs of the American people, and does not put our country back on the path to a balanced budget. Therefore, I joined my colleagues in the Blue Dog Coalition in offering an alternative to this budget. The Blue Dog Pay as You Go Budget is a fiscally responsible alternative that tackles the deficit, balances the budget, holds the line on spending, and provides more resources for vital programs like veterans, education, first responders, agriculture, and health care.

The Blue Dog budget combines the spending restraints in the President's budget with strong budget enforcement measures and responsible tax policy to reduce the deficit and balance the budget by 2012. This budget plan will cut our deficit in half in two years. The deficit is currently projected to be \$521 billion this year, the largest deficit in the history of our country. The Blue Dogs' spending restraints, sensible tax policies, and budget enforcement measures are the best way to ensure the 2005 budget is fiscally responsible.

As every family and small business knows, you cannot spend money you do not have, and you certainly cannot spend money when you are drowning in debt. The average family understands this is not acceptable, and it shouldn't be for the federal government either. The budget enforcement rules we need to ensure responsible budgeting consist of two components, PAYGO and discretionary pay caps. Discretionary spending is appropriated each year by Congress and amounts to approximately twenty-five percent of the budget. The rest of the budget is made up of mandatory spending, which includes programs like Medicare and Social Security. Discretionary caps will determine a set amount that can be spent each year. Congress would only be able to raise this cap during an emergency. PAYGO rules pertain to the discretionary spending cap. The rules state that funds to raise a cap must be collected through outside sources such as taxes or through mandatory spending monies. In other words, we have to provide the money to pay for tax cuts and spending—pay as we go.

Key elements of the Blue Dog Budget:

Putting the budget on a path to balance – The Blue Dog Budget reduces the deficit and achieves a balanced budget by 2012. The deficit would be reduced by one-half in two years.

Enforcing fiscal discipline – The Blue Dog budget extends pay as you go rules to all legislation that would increase the deficit. The Pay as You Go Budget requires the House to have a separate vote on legislation increasing the debt limit by more than \$150 billion and requires a separate vote in the House to waive budget rules.

Discretionary spending – The Blue Dog budget sets overall discretionary spending at the levels requested by the president and sets aside \$50 billion for military operations in Iraq and Afghanistan. This military spending is inevitable and to exclude it from the budget, as the Administration's plan does, is irresponsible. It is better to plan for these necessities now than to be hit with an unexpected expense at the end of the year when funding is short. The Blue Dogs budget also reallocates funding to provide more money for education, health care and veterans benefits.

Restructure tax cuts to benefit the middle class – After this year, essential tax breaks to middle-class families will expire. The Blue Dog budget protects families by extending the child tax credit, marriage penalty relief, and the expanded 10% bracket for one year, with further extensions subject to PAYGO rules. The Blue Dogs also make permanent estate tax relief for family farms and small businesses, and allow additional tax cuts if the costs are offset by additional government revenue. The Coalition's budget suspends reductions in the top two marginal rates through 2010 until the deficit is under control, but allows Congress to make the tax cuts permanent if the budget is in balance and if doing so would not put the nation back into the red.

I believe that producing a fiscally responsible budget that actually lays out a plan to get back to balance is one of the most important long term policy changes Congress can put in place. I look forward to joining my fellow Blue Dogs to present this budget to Congress today. I feel that we must all take action to ensure that we do not leave a legacy of debt and overspending to the future generations. This proposal puts us on the right track towards balancing our budget and ensuring a healthy economy for our families, farms, and businesses in the coming years.